UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Alfred D. Stedman, Assistant Administrator
Director, Division of Information,
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To Editors of Farm Journals:

The following information is for your use.

DeWitt C. Wing
Specialist in Information

WHAT IS THE STATUS OF PROCESSING TAXES?

"What is the status of the processing taxes?" "Do the amendments to the Agricultural Adjustment Act form a barrier against the cases now in court?"

These and similar questions are being asked by some of the editors of farm journals.

In considering the effect of the recent amendments on the injunction cases, it is necessary to divide these cases into two classes:

(1) Those cases seeking to enjoin the collection of taxes accruing on or after the date on which the amendments were adopted.

By one of the recent amendments to the Agricultural Adjustment Act, Congress specifically imposed each of the processing taxes now in effect and specifically fixed the rate thereof. Other amendments direct the Secretary of Agriculture to make certain adjustments in rates, which Congress foresaw might be necessary from time to time, but it is provided that if any of such adjusted rates are finally held invalid by the courts, then all of the rates which Congress itself fixed shall automatically go back into effect.

These amendments make it clear that, as to all taxes accruing on and after the date of adoption of the amendments, there can be no question of any unlawful delegation of legislative power to the Secretary of Agriculture. Consequently, as to such taxes there is no legal basis for granting injunctions which are based on the reasoning that the taxes are unconstitutional because of such unlawful delegation.

Furthermore, it is specifically provided in the amendments that no court may enjoin the collection of any taxes which thereafter accrue or render any decision which will have the effect of an injunction. The only remedy is to pay the tax and sue to get the taxes back.

The amendments have thus effectively removed any question which might have existed with respect to an unlawful delegation of legislative power which was held so important in the Schechter case, holding the National Industrial Recovery Act unconstitutional.

(2) Those cases seeking to enjoin the collection of taxes which accrued before the date on which the amendments were adopted.

As to all such taxes, Congress in the recent amendments has specifically ratified and legalized them as fully as if each had been specifically levied and the rate thereof fixed by prior act of Congress. This action of Congress eliminates any question of unlawful delegation of the taxing power with respect to these past taxes, just as the provisions mentioned above do with respect to present and future taxes. The same effect is had on the injunction cases pending in the courts.

By removing any question of the unlawful delegation of the taxing power, Congress has deprived those processors who are attacking the Act with injunction suits of their principal argument.

In many of the suits in which injunctions have already been granted, the courts took into consideration the fact that there was passed by the House of Representatives a bill cutting off all rights to obtain a refund of taxes in the event the Act was declared unconstitutional. It was strongly urged in support of the injunctions that this bill was about to be enacted as an amendment to the Act and that taxpayers would be left with no possible remedy at law.

In the enactment of the amendments in their final form, the provision of the bill preventing possibility of refund of taxes was dropped and the right to sue at law for a refund of taxes is preserved to all processors who can show that they have themselves actually borne the burden of the tax. Thus the argument can no longer be made that there is no full and adequate remedy at law. This affects not only the cases which are yet to be heard by the courts but will also be a ground for urging the dissolution of most of the injunctions already granted.

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PROCESSING TAX OF SMALL IMPORTANCE IN SPRING WHEAT PRICE DISCOUNTS

The processing tax on wheat is a factor of small importance in the sharp discounts in the price of wheat which farmers in the spring wheat territory are receiving for wheat of light-weight resulting

from heat and rust damage, the Agricultural Adjustment Administration has announced.

Studies by the Adjustment Administration show that of price discounts of more than 30 cents a bushel between 60-pound and 50-pound wheat, only about 4 cents a bushel can be attributed to the processing tax. Test weights of all hard red spring wheat received during the last few days of August at three northwest points averaged more than 51 pounds to the bushel.

Because of the larger amount of light-weight wheat this year, the Agricultural Adjustment Administration has been urged to change the basis of the processing tax from a bushel of wheat to a barrel of flour, on the ground that a larger amount of light-weight wheat is required to produce a barrel of flour than is required when heavier grain is used. However, it was pointed out by officials that the basis for levying the processing tax was established in the Agricultural Adjustment Act and that a Congressional amendment to the Act would be required to change this basis.

The discount at which light-weight wheat is selling has been largely, but erroneously, attributed to the processing tax.

It was pointed out that light-weight wheat sold at a large discount in 1916 which was the last year in which rust conditions were comparable to those of this year, and that there was no processing tax in effect at that time. Among the factors which cause millers and terminal elevator buyers to pay less for wheat of low-test weight are (1) it requires somewhat more of the low-test weight wheat to make a barrel of flour; (2) the cost of milling the lighter wheat is higher; (3) the flour produced from light-weight wheat is of lower value than that produced from heavy-weight wheat because a smaller proportion of the total flour produced is of patent grade; (4) the uncertainty on the part of the buyer as to the ability of the operative miller to handle a large quantity of such wheat in the mill, and (5) a large supply of low-test weight wheat tends to depress the price of the low-grade wheat relative to the price paid for higher grades.

In the light of studies made by the Department of Agriculture in years when conditions were similar to those at present and further information recently published in trade journals, statements that 6 to 7 bushels of 50-pound wheat are required per barrel of flour, with consequent processing tax costs of $1.80 to $2.10, appear exaggerated, Adjustment Administration officials said.

The processing tax is collected on clean dry wheat and is at the rate of 30 cents a bushel of 60 pounds. The studies of the Department of Agriculture indicate that 5.26 bushels of clean 50-pound wheat will produce a barrel of flour as compared with 4.6 bushels of clean 60-pound wheat. This is an additional two-thirds of a bushel and represents an additional processing tax cost per barrel of about 20 cents, or about 4 cents a bushel. This 4 cents a bushel is the amount that can be attributed in the discount as due to the processing tax, but it does not account for the large discounts which are more than 30 cents a bushel, in some instances.

Although field investigations show conclusively that much of the spring wheat crop is very light in bushel weight, as the result of rust infection and drought conditions at harvest time, it is evident from inspection reports of wheat receipts in the spring wheat region that a considerable proportion of wheat moving to market is of fair test weight. This can be accounted for by the fact that in many instances the lighter weight wheat, because of its relatively low market value, is being held on the farm.

Weight per bushel data, compiled from grain inspectors' reports of inspections of car receipts of hard red spring wheat of the 1935 crop for the last few days of August, show the following averages: At Duluth for the period August 22 to 28, inclusive, on 113 cars inspected the weight per bushel averaged 56.9 pounds; at Grand Forks for the period August 22 to 28, inclusive, on 489 cars inspected, the weight per bushel averaged 55.2 pounds; while at Minneapolis for the period August 26 to 31, inclusive, on 1,120 cars inspected, the weight per bushel averaged 51.4 pounds.

The Division of Grains of the Adjustment Administration and the Bureau of Agricultural Economics are investigating the extraction of flour from this season's wheat. While the figures on the extraction of flour may vary in individual cases, they support the general statement that only a small proportion of the present large discount on farmers' prices may be attributed to the processing tax.

With respect to baking quality, the flours milled from the lighter weight wheats, owing to their high ash and carotene (coloring matter) content produce bread of poor color. These two factors alone present very serious problems for the miller in connection with the marketing of his flour product for the reason that color and ash content are closely associated with flour quality in so far as commercial baking is concerned. Otherwise the flours milled from low test weight wheat of this crop year appear to be of good baking strength. They are high in protein, give good loaf volume and texture of bread and indicate an ability to carry a fair percentage blend of flours of much lower protein content.

Correlation studies of protein analyses made at Minneapolis on samples from 1,108 cars of the 1935 crop of hard red spring wheat show that 53, 54 and 55-pound test weight wheat average highest in protein content. For weights above 55 and below 53 pounds the protein content decreases for each pound decrease or increase in weight. For the information of farmers, the following information, based upon past milling and baking experiments of the Department of Agriculture, indicates the bushels of clean wheat needed at various test weights to produce a barrel of flour:

With wheat weighing 60 pounds per measured bushel, 4.60 bushels are required to make one barrel of flour; with 56-pound wheat 4.8 bushels are required, or 20/100 of a bushel more than in case of 60-pound wheat; with 54-pound wheat, 4.96 bushels are required or 36/100 of a bushel more than in case of 60-pound wheat; with 52-pound wheat,

5.14 bushels are required or 54/100 of a bushel more than in case of 60-pound wheat; and with 50-pound wheat 5.26 bushels are required or 66/100 of a bushel more than in case of 60-pound wheat.

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AAA HOLDING WHEAT TO INSURE SEED FOR NORTHWEST

After hearing a preliminary report on crop conditions in the northwest area, hit by heat and rust, the Agricultural Adjustment Administration has announced that adequate reserves of adapted varieties of seed wheat will be held until more complete information on needs for seed are received. The seed conservation committee, a unit of the President's Drought Committee, announced that reserves of at least 1,000,000 bushels of hard spring wheat and 350,000 bushels of durum will be maintained.

The committee made its decision after hearing a report from Dr. M. A. McCall, chief cerealist of the Bureau of Plant Industry of the Department of Agriculture. Recently returned from two weeks in the northwest, he said that it still is too early to get a complete picture of the condition of this year's small grains crops. He said, however, that although yields are running light, agronomists of the area feel that if farmers and elevators save the best of the locally produced crops, they probably will have enough seed to meet their planting needs next spring.

Dr. McCall added that he will be able to make a more definite estimate of the situation by the middle of October. The seed conservation committee also announced that reports from the northwest show that the area will have adequate supplies of seed of oats, barley and flax, so that there is no need to continue holding seed reserves of those grains.

The grain now held by the committee was bought last year during the drought, to prevent its movement into processing or feeding channels when it was apparent that some farmers would have no other source of supply of seed of adapted varieties.

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EASTERN STATES WHEAT WORKERS CONFER

Features of the new wheat adjustment contract affecting farmers in the Eastern States were discussed at the regional wheat conference of state wheat program wheat workers which opened September 4 in Washington, D. C. The conference was the fifth held in various regions in connection with the new wheat contract. George E. Farrell, Director of the Division of Grains of the Agricultural Adjustment Administration, after reviewing the present wheat situation, pointed out that the prices of eastern wheat are still substantially below parity. The new wheat contract, with its adjustment payment provisions, is a protection for farmers against under-parity prices, Mr. Farrell said.

"The aim of the wheat program is to make it more profitable for farmers to cooperate than not to cooperate," he said. "We are confident that there is going to be even less inducement to stay out of the program during the next four years than there was during the term of the original program."

The State workers were urged to strive for a larger sign-up in the new campaign than was obtained in the one two years ago. It was pointed out that while the sign-up for the United States as a whole covered nearly 80 percent of the base acreage, the sign-up in the Eastern states ranged between 25 and 35 percent.

"The provisions of the new contract which will permit farmers who grow wheat in rotation or who grew wheat in only one or two of the base years to sign contracts and receive adjustment payments on a limited basis should make the new contract more appealing to Eastern farmers," Mr. Farrell said.

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RYE REGULATIONS ESTABLISH CONVERSION FACTORS

The Agricultural Adjustment Administration has made public regulations for rye covering definitions and conversion factors. They also include the period of the marketing year, and the rate of the processing tax which were established in the recent amendments to the Agricultural Adjustment Act. A public hearing on the proposed rye program was held in Washington on September 6.

The first marketing year is to be the period from September 1, 1935, to June 30, 1936. Subsequent marketing years are to begin on July 1 and end on June 30 of the succeeding year.

The rate of the processing tax is set forth in the regulations at 30 cents a bushel of 56 pounds. This rate was established in the recently approved amendments to the Agricultural Adjustment Act. The rate is effective from September 1, 1935, until December 31, 1937, unless modified according to the specific formulae set forth in the amendments.

The regulations define "first domestic processing" of rye as "the milling or other processing (except cleaning and drying) of rye for market, including custom milling for toll as well as commercial milling, but shall not include the grinding or cracking thereof not in the form of flour for food purposes only." Other definitions covered by the regulations include those for whole-rye flour, whole-rye meal, rye flour, rye farina, prepared rye pancake flour, rye bread, pumpernickel, rye crackers, swedish health bread and similar articles, toasted rye breakfast foods, rye malt, rye mash, rye distilled spirits, rye feed, distillers' rye dried grains, and distillers' rye solubles.

Conversion factors for various products which are to be used to determine the amount of processing tax to be imposed are established in

the regulations as follows (the conversion factors are the percentages which are used to determine the amount of rye used in rye products. The percentages in the following table refer to the amount of the per-bushel tax on rye with respect to 100 pounds of the articles listed):

ARTICLE	CONVERSION FACTOR (percent)
Whole-rye-flour, whole-rye meal	181.29
All rye flour except whole-rye flour and whole-rye meal	273.51
Rye farina	275.51
Prepared rye pancake flour	27.55
Rye bread	54.00
Pumpernickel:	
a. Domestic type	121.27
b. Foreign type	124.68
Rye crackers, Swedish health bread and similar articles	177.66
Toasted rye breakfast foods	181.29
Rye malt	220.26
Rye mash 5/	178.57
Rye distilled spirits 4/ 5/	22.73
Rye feed	0
Distillers' rye dried grains	0
Distillers' rye solubles	0

4/ In the case of rye distilled spirits, 1 gallon of 100 proof.
5/ The above conversion factors for rye mash and rye distilled spirits are based upon a mash containing only rye. In case rye is used only in part, the conversion factor for rye mash or rye distilled spirits shall be the proportion of the above conversion factor which the weight of the rye in the mash bears to the total weight of the grains and grain products in the mash.

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CORN-HOG PRODUCERS' FIRST 1935 PAYMENTS EXCEED $30,000,000

More than $30,800,000 has been distributed to cooperating corn-hog producers as first payments under their 1935 adjustment contracts, it was recently announced by Claude R. Wickard, Chief of the Corn and Hogs Section of the Agricultural Adjustment Administration.

Since distribution of first payments was begun on July 27, a total of 448,856 checks, amounting to $30,886,763, had been mailed from Washington prior to August 30. Approximately $85,000,000 will go to farmers in the first installment. The final installment of about $10,000,000 does not fall due until after January 1, 1936. Mr. Wickard reports that 517,017 corn-hog contracts--more than one-half of the total number of 1935 contracts--have arrived in Washington for auditing and final acceptance.

Eight states have received more than a million dollars each in first payments to date: Iowa, $8,100,334; Nebraska, $3,576,802; Missouri, $3,183,333; Indiana, $2,833,023; Minnesota, $2,350,294; Kansas, $1,938,911 and Illinois $1,266,602. Cooperating farmers in 8 other states have received over $250,000.

The Administration reports that first payments under 1935 corn-hog contracts have been distributed as follows among farmers in the following states:

State	Amount of Payment	State	Amount of Payment
Maine	$ 1,050	Georgia	$ 28,094
New Hampshire	4,950	Florida	65,558
Vermont	6,914	Kentucky	191,014
Massachusetts	85,158	Tennessee	186,976
Rhode Island	975	Alabama	126,404
Connecticut	5,654	Mississippi	17,702
New York	52,933	Arkansas	169,220
New Jersey	72,665	Louisiana	14,822
Pennsylvania	140,707	Oklahoma	727,277
Ohio	1,473,748	Texas	279,622
Indiana	2,833,023	Montana	86,613
Illinois	1,266,602	Idaho	84,926
Michigan	254,047	Wyoming	72,332
Wisconsin	957,321	Colorado	365,096
Minnesota	2,350,295	New Mexico	19,585
Iowa	8,100,334	Arizona	8,426
Missouri	3,183,333	Utah	31,054
North Dakota	712,695	Nevada	10,188
South Dakota	486,861	Washington	100,104
Nebraska	3,576,802	Oregon	135,578
Kansas	1,938,911	California	157,320
Maryland	87,528		
Virginia	258,149		
North Carolina	60,952	Total	$30,886,763
South Carolina	97,236		

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CHANGE MADE IN COTTON LOAN PLAN

The objective of the AAA has been to get an average return of at least 12¢ per pound, basis 7/8 middling, for producers of cotton. Under the new 10-cent loan plan combined with price adjustment payments, growers will receive approximately this amount.

Instead of making the adjustment payment on the basis of the four months' average of the 10 spot markets, as originally announced, this adjustment payment will be based on the daily average of the 10 markets. In other words, the adjustment payment will be made on the basis of the 10 spot market average on the actual day that the cotton is sold by the producer.

These adjustment payments will be made through the cotton year up to August 1, 1936. They will be made to those producers who have cooperated in the adjustment program and who agree to participate in the 1936 crop program.

Loans and price adjustment payments will be restricted to actual production not in excess of the Bankhead allotment.

This program for loans and adjustment payments on the 1935 crop will go into effect as soon as it is physically possible to set up the necessary machinery. The loan forms were made available for the 10-cent loan during the week of September 2.

The adjustment payments will apply to all sales of 1935 cotton, including those already made.

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2 CENTS A POUND ON COTTON LIMIT OF NEW PAYMENTS

Adjustment payments to cotton farmers under the loan and payment plan recently announced will be limited to 2 cents a pound, it was explained by Chester C. Davis, Administrator of the Agricultural Adjustment Act.

This explanation was made to clarify any erroneous impression that might have been drawn from the announcement of the new policy and in response to inquiries as to whether the producers would receive the difference between the average price and 12 cents in the event the average price declined below the ten-cent level.

"The Government's commitment to pay producers the difference between the average price and 12 cents is limited to 2 cents per pound," Mr. Davis stated, "and if it should develop that prices drop below ten cents--a highly improbable contingency--producers would be expected to put their cotton in the loan and wait for prices to recover."

DAILY AVERAGE PRICES OF 7/8-INCH SPOT COTTON ANNOUNCED

The Agricultural Adjustment Administration has made public the daily average of the prices per pound of middling 7/8-inch spot cotton at the ten designated spot markets for the period from June 1 to September 10, inclusive. The daily average price was determined by daily quotations from the ten designated spot markets to the Bureau of Agricultural Economics, Department of Agriculture.

Producers of cotton who agree to comply with the 1936 cotton acreage adjustment program and who have sold cotton from the 1935 crop will be paid, under the Agricultural Adjustment Administration's price adjustment plan, the difference between the average at the ten designated spot markets on the day of sale and 12 cents a pound. For example, a producer who sold his cotton on September 4, 7/8-inch middling cotton was 10.45 cents would be due a price adjustment payment of 1.55 cents a pound up to the amount of the actual cotton sold but NOT beyond his Bankhead allotment. On the

other hand, any producer who sold cotton from his 1935 crop on any of the days when middling 7/8-inch spot cotton averaged 12 cents a pound or more at the designated markets would NOT be due an adjustment payment.

In the case of growers who have NOT signed or complied with the 1935 cotton acreage adjustment program, payment on the difference between a daily average price and 12 cents will NOT be made until he has complied with the 1936 cotton adjustment program.

The ten designated spot markets are Augusta, Dallas, Galveston, Houston, Little Rock, Memphis, Montgomery, New Orleans, Norfolk and Savannah.

The daily average of the prices per pound at the ten designated markets follows:

Date	Cents per pound	Date	Cents per pound	Date	Cents per pound	Date	Cents per pound
June 1	11.68	July 1	12.18	Aug. 1	12.06	Sept.1	Sunday
2	Sunday	2	12.36	2	12.02		Holiday
3	11.61	3	12.45	3	11.98	3	10.39
4	11.99	4	Holiday	4	Sunday	4	10.45
5	11.90	5	12.18	5	11.95	5	10.42
6	12.00	6	12.30	6	11.95	6	10.48
7	11.90	7	Sunday	7	11.81	7	10.44
8	12.13	8	12.29	8	11.60	8	Sunday
9	Sunday	9	12.39	9	11.67	9	10.49
10	11.99	10	12.44	10	11.63	10	10.60
11	11.99	11	12.33	11	Sunday		
12	11.90	12	12.38	12	11.47		
13	11.91	13	12.28	13	11.28		
14	12.03	14	Sunday	14	11.43		
15	12.10	15	12.32	15	11.57		
16	Sunday	16	12.20	16	11.60		
17	12.02	17	12.29	17	11.62		
18	11.93	18	12.24	18	Sunday		
19	11.94	19	12.19	19	11.63		
20	11.99	20	12.08	20	11.53		
21	11.92	21	Sunday	21	11.48		
22	12.00	22	12.09	22	11.48		
23	Sunday	23	11.92	23	10.85		
24	11.94	24	12.07	24	10.59		
25	11.93	25	12.04	25	Sunday		
26	11.99	26	12.18	26	10.63		
27	12.03	27	12.17	27	10.80		
28	12.21	28	Sunday	28	10.75		
29	12.17	29	12.07	29	10.58		
30	Sunday	30	12.04	30	10.53		
		31	12.18	31	10.42		

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PRODUCERS URGED TO GET PREMIUMS ON HIGH-GRADE COTTON

Cotton producers were recently urged by C. A. Cobb, director of the Division of Cotton, to insist that they receive from buyers a premium on cotton which is above average in grade and staple length. "Under the present loan and price adjustment plan", Mr. Cobb said, "cotton growers are in a position to bargain, and have an opportunity to get the benefit of the premiums which are due them on the better grades and longer staple lengths of cotton. Such producers will lose if they sell this cotton for the price paid for middling 7/8-inch cotton in the belief the price adjustment payment will take care of them."

Mr. Cobb pointed out that under the present price adjustment plan growers will receive the difference between the average price at the 10 spot markets on the day they sell their cotton and 12 cents a pound of lint on their actual production not in excess of their Bankhead allotment. For example, the average price for white middling, 7/8-inch cotton in the 10 spot markets on August 30 was 10.53 cents a pound. If a producer sold on that day, the government will pay him a difference of 1.47 cents a pound. He would receive this payment of 1.47 cents a pound, Mr. Cobb said, even if he sold premium cotton on August 30 which brought him 12 cents a pound or more.

Official quotations issued by the Department of Agriculture as of August 30, were to the effect that at Carolina mill points white strict middling inch cotton of Southeastern growths was bringing 125 to 130 points more than middling 7/8-inch cotton; and that at Alabama, Georgia and East Tennessee mill points, white strict middling inch cotton of the same growth was bringing 125 points more than middling 7/8-inch cotton. On that same day white cotton of strict middling grade and one inch in staple length was bringing 100 points more than white middling 7/8-inch at New Orleans, 100 points more at Memphis, and 105 points more at Houston and Galveston.

"Therefore", Mr. Cobb said, "the producer of better than middling grades and longer than 7/8-inch staple length cotton who sold on August 30 should receive, including adjustment payments, more than 12 cents for his cotton. The present plan is an improvement on the loan programs of the past two years because those programs made no provision for the producer of better than average cotton, whereas the present plan enables the producer of premium cotton to benefit, provided he insists upon the additional payments due him from the buyer because of his better product."

Mr. Cobb urged producers to carefully follow the prices paid at the 10 daily spot markets, not only for 7/8-inch middling cotton, but for premiums paid on grade and staple for better than 7/8-inch middling cotton.

"They should not sell their cotton unless they receive the premiums they deserve", Mr. Cobb said.

He said that for the 1934-35 season good middling cotton averaged 47 points above middling on the 10 spot markets, and middling inch staple

averaged 78 points above middling 7/8-inch staple length cotton in the 6 spot markets, which are the only ones that quoted staple premiums.

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GROWERS URGED TO KEEP SALES RECORDS

The Agricultural Adjustment Administration has urged cotton producers who may wish to sell their cotton immediately and whose crop is already being harvested and ginned for sale to obtain and keep sales slips from buyers, so as to be sure to have adequate sales records on which the government will be able to make adjustment payments under the new loan and payment plan.

The necessary forms upon which payments of the difference between the average price and twelve cents will be disbursed are being prepared. In the interim, producers who desire to market their crop are advised to compile a careful record which will include a description of the cotton sold, the buyer to whom the cotton was sold, the date of sale and the names of the parties, including tenants, who have an interest in the cotton sold. It is especially important that producers should obtain from the buyer a memorandum of sale which contains the date of sale and the gross weight of the bale or bales sold.

"We are proceeding as rapidly as possible to prepare and make available the necessary forms which will be used under this new plan," Chester C. Davis, Administrator of the Agricultural Adjustment Act, said, "and provision will be made for those producers who either have already marketed their crop or who desire to do so before these forms are available. We recognize that there are buyers and merchants who have immediate commitments on the new crop and it is our desire to place producers in a position to market their crop as soon after ginning as they choose. However, it is important that complete information be available which may be transferred to printed forms when they are completed for distribution."

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1935 BANKHEAD COTTON CERTIFICATE POOL OPENED

The regular 1935 national pool for the sale of surplus cotton tax-exemption certificates began receiving certificates from growers September 4. The special pool stopped receiving certificates September 3. A.A.A. officials believe that the special pool will sell within sixty to thirty days all of the certificates that it held.

The special pool handled certificates that were not sold last year, which were carried over by producers from 1934 and not put into the pool last year, and 1935 certificates in cases where part or all of the grower's cotton has been definitely destroyed. The regular 1935 pool which opened September 4 will for the most part handle 1935

certificates, although it also can take care of certificates carried over and not put into the special pool.

The regular pool will sell certificates for a price representing 5 cents a pound of cotton. That is the same price in effect for the certificates in the special pool.

E. L. Deal, manager of both the special pool and of the regular 1935 pool, said that scattered efforts to buy certificates at a lower price have been rumored, and warned growers against people who make such offers, saying that the purchase of certificates at a price lower than 5 cents not only is a breach of regulations, but also results in a corresponding loss to the growers selling the certificates. The pools will return to growers the 5 cent price, deducting only enough to pay for operating expenses. Those charges last year were less than 1 percent.

The pools for the sale of tax-exemption certificates are a development of the Bankhead plan, and are designed to offer growers added protection. Under the Bankhead Act, a national allotment of cotton that may be ginned tax-free is fixed. Each grower has his individual share of that allotment. When cotton-picking time comes, some growers may find that their crops are short - they have more tax-exempt certificates than they have cotton. Others may have more cotton than is covered by certificates. Both stand to gain if growers with extra certificates can sell the certificates to growers with extra cotton at a price lower than the ginning tax. Within counties such deals can be made personally. The pools were established to handle transfers over larger areas.

Mr. Deal said that the regular 1935 certificate pool will be run along lines similar to those followed last year. He advised growers to get in touch with their county agents or assistants in cotton adjustment, who will enter certificates in the 1935 pool.

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EFFECT OF TOBACCO PROCESSING TAX CONSIDERED AT HEARING

Hearings to determine whether the processing tax rates provided under the amendments to the Agricultural Adjustment Act will cause a reduction in the consumption of certain types and uses of tobacco, and if so, what rates would NOT cause such reductions, were recently begun in Washington, D. C.

The types and uses of tobacco under consideration are cigar leaf tobacco generally and cigar leaf used in the manufacture of scrap chewing and smoking tobacco. Burley tobacco used in chewing and smoking tobacco products will be considered at the conclusion of the hearing on cigar leaf tobacco.

The present rate on cigar leaf tobacco is 3 cents a pound, except on that used in scrap chewing and smoking tobacco, for which the rate is 2 cents a pound.

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HEARING ON NEW PROGRAM FOR CIGAR-LEAF TOBACCO

A public hearing upon a proposed cigar leaf tobacco adjustment program for the years 1936 to 1939 was held in Washington, D. C., September 16. At the hearing all interested parties were given an opportunity to be heard with reference to the exercise of the provisions of the Agricultural Adjustment Act, designed to maintain farm prices for cigar leaf tobacco at fair exchange value.

Also interested parties were heard upon the terms of a proposed contract for the adjustment in the acreage or in the production for market of cigar binder and filler types of tobacco and for rental or benefit payments in connection with such an adjustment program. The present contracts expire with the 1935 crop. The proposed cigar binder and filler tobacco production adjustment contract will include among other things the following features:

1. The contract will cover the four-year period, 1936-1939 inclusive, with provisions for termination upon due notice by the producer, proclamation by the Secretary, or failure of the producer to comply with the terms of the contract and rulings.

2. The base tobacco acreage for each farm under the contract will be substantially the same as that provided under the present contracts, with minor changes to remedy inequities. The base tobacco production for each farm under the contract will be determined by multiplying the base tobacco acreage by the normal yield of tobacco per acre for the farm.

3. The tobacco acreage and production allotment (the acreage and quantity of tobacco that may be produced on the farm under contract each year) will be a percentage of the base tobacco acreage and base tobacco production (uniform for each farm under contract upon which similar types of tobacco are grown) estimated to yield a quantity of each type of tobacco needed to establish and maintain balance between production and consumption. In no case will the allotment be less than sixty percent of the base.

4. Payments will be made to each contracting producer, under the proposed contract, who complies with the contract and rulings, in an amount that will tend to give the producer the difference between the average farm price and the fair exchange value on the quantity of tobacco permitted under the contract.

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PROGRAM FAVORED FOR FOUR KINDS OF TOBACCO

At a hearing held in Washington, D. C., September 3 a proposed adjustment program for Burley, Maryland, Fire-cured and Dark air-cured tobaccos, representatives of producers of these types of tobacco voiced unanimous approval of the continuation of an adjustment program.

Evidence was submitted by the tobacco section of the Agricultural Adjustment Administration, on which the Secretary of Agriculture may determine whether the current average tobacco prices are less or likely to be less than the fair exchange value and whether the continuation of the tobacco programs would tend to carry out the declared policy of the Agricultural Adjustment Act by increasing the income of the tobacco producers.

Figures submitted by representatives of the tobacco section showed the following relationship between prices of the various types of tobacco in 1934 as compared with the fair exchange value:

Type	1934 Prices	Fair Exchange Value
Burley	16.9 cents a pound	17.5 cents a pound
Maryland	18.00 " " "	18.1 " " "
Dark air-cured	7.6 " " "	8.8 " " "
Fire-cured	10.8 " " "	10.7 " " "

As shown, the 1934 price of Burley tobacco was .6 cent a pound below the fair exchange value while the Maryland tobacco was .1 cent a pound below and the Dark air-cured was 1.2 cents a pound below. Even though the 1934 price of Fire-cured tobacco was .1 cent a pound above the fair exchange value, it was pointed out that the price for the 1936 crop would likely be below the fair exchange value if a production control program is not continued. Government tobacco specialists stated further that if a production control program is not continued the prices of other types of tobacco would likely be further below the fair exchange value than they are at present.

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HEARING HELD ON PEANUT PROGRAM

A public hearing upon a proposed peanut diversion and peanut adjustment program was held in Washington, D. C., September 11. At the hearing all interested parties were given an opportunity to be heard with reference to the proposals designed to reestablish peanut prices to farmers at the parity level at as rapid a rate as is feasible. Also considered at the hearing were the terms of a proposed new contract for the adjustment in the acreage or in the production for market of peanuts and for rental or benefit payments in connection with such adjustment contract. The present contracts expire with the 1935 crop.

The hearing was also on the terms of a proposed plan for removing quantities of peanuts grown in 1935 from the normal channels of trade and commerce by diverting such peanuts into oil manufacture and for payments in connection with such plan.

The proposed production adjustment contract is for the 4-year period 1936 to 1939, subject to termination by the producer or by the Secretary at the end of any year. Any person operating a farm on which peanuts were grown during the years 1931 to 1934 would be eligible to enter into a contract. Contracts would also be provided for persons who themselves grew peanuts in those years but are now growing peanuts on farms on which NO peanuts were grown in the base period. A base acreage and base production for each contract would be determined from the acreage grown during the base year and the normal yield per acre for the farm. Contracts would provide for adjustment of the acreage of peanuts planted in each year to an acreage allotment prescribed by the Secretary of Agriculture which would be not less than 70 percent of the base acreage. An adjustment payment would be made for each year, based upon the base production for the farm at a rate announced prior to the beginning of the year.

The proposed plan for diverting 1935 crop peanuts into oil consists of two parts. Under the first part of this plan, the Secretary would make payments to peanut oil millers for diverting farmers' stock peanuts into oil during the period from September 16, 1935 to November 15, 1935. The rate of these payments would be determined following the hearing.

Under the second part of the diversion plan, the Secretary would ask peanut millers to submit bids for the purchase of specified quantities of farmers' stock peanuts at not less than specified minimum prices, during the period from November 16, 1935 to June 30, 1936. In return for this agreement the Secretary would make payments to each miller whose offer was accepted, on any of the peanuts purchased in accordance with the agreement and diverted into the manufacture of oil, either as shelled peanuts or in the form of farmers' stock. The rate of this payment would be that designated in the miller's offer.

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HEARINGS ON WALNUT MARKETING AGREEMENT AND ORDER

Public hearings were held September 20 at Portland, Oregon, and September 23 at Berkeley, California, to consider a proposed marketing agreement and order for the handlers of walnuts grown in California, Oregon and Washington. These are the first hearings called by the Agricultural Adjustment Administration with a view to replacing present marketing agreements and licenses with marketing agreements and orders in the form provided by the amendments to the Agricultural Adjustment Act.

Requests for this new agreement have been signed by packers and growers of walnuts representing 84.14 percent of the 1934-35 pack. The

petitioners are the four largest cooperatives in the industry, the California Walnut Growers' Association, the North Pacific Nut Growers' Cooperative, the Oregon Nut Growers, Inc., and the Eugene Fruit Growers' Association. If approved, this agreement and order will replace an agreement and license which have been in operation since October, 1933.

Provisions of the agreement and order would provide for surplus control operations, similar to the surplus control provisions of the existing agreement and license. Under this plan the surplus walnuts would be turned over to the control board in charge of the agreement to dispose of in channels that would not affect the marketing of the portion of the crop for regular domestic consumption of merchantable walnuts.

Under this proposed plan, each packer will report to the control board on August 15 of each year the quantity of merchantable walnuts held by him on the first of that month. The board will then compute the total available supply on the basis of these reports and the best estimates of the year's crop. Likewise, on the basis of an estimate of the consumptive demand of the United States for the coming year, the board would determine the percentage of the crop that could be sold in domestic markets.

On the basis of these figures, the board would then recommend to the Secretary of Agriculture what portion of the crop should be sold, and what portion should be considered as surplus. From this the Secretary may fix a "salable percentage", which would apply to the individual supplies of all packers. The remaining walnuts held by each packer, or the "surplus percentage" would be delivered to the control board, these percentage deliveries applying to each pack and quality of walnuts handled by each packer. The control committee would have the power to sell or dispose of its holdings of merchantable walnuts either through sales of unshelled walnuts, or to shellers, distribution to charitable institutions, or sales in export trade. From time to time the proceeds from the disposal of such walnuts would be disbursed to packers.

The proposed marketing agreement and order provide that packers will handle only merchantable walnuts of specified packs and qualities.

The control board, of nine members and their alternates, is to be selected by the Secretary from nominees of various groups, but until April, 1936, the following members of the board would be named: From California, H. C. Sharp, Saticoy; C. Thorpe, Los Angeles; Bert Katz, San Francisco; Neil Harrison, Walnut Creek; R. W. Miller, Linden; A. W. Porter, Jr., Stockton; and F. R. Wilcox, Berkeley. From Oregon, Charles Trunk, Newburg; and F. C. Riggs, Portland.

As successors to the first eight of these nine members, the Secretary will choose one out of four nominees selected by each of the following groups:

Group 1 - California cooperating packers; Group 2 - California independent packers; Group 3 - A group of California packers who handled during the preceding crop year more than 50 percent of California pack walnuts subject to surplus control; Group 4 - California growers marketing through cooperative packers; Group 5 - Independent California grow-

ers; Group 6 - California growers who marketed during the preceding crop year through the packers named as Group 3; Group 7 - Washington and Oregon packers; and Group 8 - growers in the states of Washington and Oregon.

In elections of these nominees by the various groups, packer voting will be on the basis of volume of tonnage packed during the preceding crop year. Each grower, on the other hand, will be entitled to one vote and cooperative packers may cast the votes of all its members for grower-nominees.

Large surpluses have been successfully controlled for the past two years by the present agreement and license and since this year's crop promises to be the largest in the history of the industry, representatives of the growers have informed the Agricultural Adjustment Administration that they believe surplus control operations should continue.

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TOKAY GRAPE AGREEMENT AND LICENSE CANCELLED

The cancellation of the marketing agreement and license for fresh Tokay grapes grown in California became effective September 14.

Although the group requesting termination shipped only approximately 40 percent of the grapes marketed in 1934, termination was considered desirable for the reason that the agreement provides for automatic representation of certain shippers on the executive committee administering the agreement, and a majority of the present committee are representatives of the shippers now petitioning for termination. By their request for termination these shippers indicate that they do not desire to operate the present agreement for the 1935 season.

A proposed agreement to replace the present agreement has been submitted by certain Tokay grape shippers and growers, with a request for a hearing. This petition was signed by shippers representing approximately 40 percent of Tokay grape shipments during the past shipping season and by James T. Langford, chairman of the Tokay Grape Growers' Advisory Committee, representing Tokay grape growers. Owing to the fact that the marketing season has begun, it would be impossible to develop a new agreement under the amended Agricultural Adjustment Act in time for use in this season.

Termination of the agreement at this time will allow growers to take such steps as they may consider advisable in connection with the marketing of this year's crop.

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CALIFORNIA RAISIN AGREEMENT AND LICENSE TERMINATED

An order terminating the marketing agreement and license for packers of California raisins became effective September 14.

It was requested by all signatory packers, including the co-operative marketing associations. These packers handle approximately 90 percent of the raisins produced in California. The marketing agreement and license became effective in May, 1934, and, subject to certain minor amendments, have been in continuous operation up to the date of termination.

The agreement provided for the fixing of minimum prices paid producers and for temporary withholding from the market of a fixed percentage of raisins acquired by packers from growers. The minimum prices for the 1934 crop were $70 per ton for Thompson Seedless raisins, $65 per ton for Sultana raisins and $60 per ton for Muscat raisins. Fifteen percent of the 1934 crop raisins was temporarily withheld from the market for subsequent sale by the Control Board for the account of producers.

All factors within the raisin industry are in agreement that the pact resulted in substantial increases in total returns to producers for their 1934 crop but that changes in the program to assure more effective enforcement would be necessary to justify continuation of the program during the coming season. Such assurance, providing for the issuance of orders, is afforded by the recent amendments to the Agricultural Adjustment Act. The amended Act, however, does not authorize the fixing of minimum prices in agreements and orders for fruits and vegetables.

Consideration is being given to the calling of a public hearing on a new proposed agreement program for the raisin industry.

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CALIFORNIA RICE AGREEMENT AND LICENSE ENDED AS TO 1935 CROP

The termination of the marketing agreement and license for the California rice industry, with respect only to the 1935 and subsequent crops, became effective September 14. This action became necessary because the provisions of the agreement have been replaced by the 1935 rice production adjustment program, under which contracts have been entered into by the Secretary with individual growers. The harvest of the new crop rice will begin shortly.

The termination relieves millers from the requirement to handle 1935 crop rice according to the provisions in the marketing agreement and license, and thereby prevents an overlapping of the two programs.

This termination of the agreement and license relative to rice of the 1935 crop and subsequent crops does NOT prevent the provisions of the marketing agreement and license from continuing to apply to the small quantity of paddy and clean rice of the 1934 crop which is yet unsold.

The marketing agreement will still govern the price at which rice of the 1934 crop may be bought and sold. It will also determine the payments to be made into the millers' trust fund and the producers' trust fund, and the method by which these funds are to be finally distributed. All money received in the millers' trust fund and the producers' trust fund will be distributed according to the provisions of the marketing agreement.

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OPTION TO EXTEND FLORIDA SUGARCANE CONTRACT NOT EXERCISED

The Agricultural Adjustment Administration has announced that the option of the Secretary of Agriculture to extend the present Florida sugarcane production adjustment contract to the 1936-37 crop year had not been exercised, and that public hearings are to be held in the near future upon the need for a 1936-37 sugarcane program in Florida. The present Florida sugarcane production adjustment contract was for the crop years 1934-35 and 1935-36 and gave the Secretary of Agriculture the option of extending the contract to the 1936-37 crop year. This option expired on August 30. The public hearings regarding the proposed 1936-37 contract will be held in accordance with the provisions of the recently approved amendments to the Agricultural Adjustment Act.

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RULINGS AFFECTING SMALL GROWERS OF SUGARCANE IN LOUISIANA

Administrative rulings governing the marketing of Louisiana sugarcane in 1935 permit small growers to market up to 100 tons of cane, regardless of their base production. The rulings also provide that growers of more than 100 tons of cane may market up to 20 percent in excess of their base production if they accept deductions in their benefit payments.

Under the rulings any contracting grower may market a quantity of sugarcane up to 20 percent in excess of his base production, or up to 100 tons of sugarcane, whichever is the larger. Deductions will be made from the payments of those growers having a base production of 100 tons or more who elect to market a quantity in excess of their base production.

The deductions from benefit payments for those growers who elect to accept the deductions will be at the rate of $2 per ton on each ton marketed between 100 and 110 percent of the base production.

The deduction on each ton marketed between 110 and 120 percent of the base will be at the rate of $3 per ton.

Small growers may market up to 100 tons without penalty, but if they wish to increase their marketings by as much as 20 percent of their base production and this totals more than 100 tons, then the deduction provisions apply to the marketings in excess of the base production.

Growers whose acreage is no greater than the acreage required with average yields to produce their base production will be certified for benefit payments at this time. Final 1934 and first 1935 benefit payments to growers with a larger acreage will be withheld, and these payments, less the deductions on excess sales, if any, together with the final 1935 payment, will be made if and when it is determined that the quantity sold does not exceed that quantity permitted under the contract and administrative rulings.

The rulings also provide that a producer who controls one or more farms which are covered by separate contracts may elect to have the compliance under all contracts determined in the same way it would have been determined if all of the farms had been put under one contract, provided that all interested parties, including the landowner and tenants, with the approval of the parish control committee, enter into a special compliance agreement accepting this change.

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SUGARCANE SIRUP CONTRACT APPROVED

The Agricultural Adjustment Administration has announced that the 1935 production adjustment program for farmers who grow sugarcane for sirup on a commercial basis has been approved by Secretary of Agriculture Henry A. Wallace, and that the contracts to be offered to farmers have been forwarded to the State Directors of Extension for distribution to county agents.

It is anticipated that the program will be offered to farmers in the southern States within a short time. Marcel J. Voorhies, Baton Rouge, La., representing the sugar section, will cooperate with the state agricultural extension services west of the Mississippi in getting the sirup program under way, and Robert N. Anderson of the sugar section will work with the State Agricultural extension services east of the Mississippi.

Sugarcane for sirup is grown mainly in Louisiana, Georgia, Alabama, Mississippi, Florida, Arkansas, Texas and South Carolina, but contracts will be available to producers in all states. The program supplements the general sugarcane adjustment programs which have been put in effect in Louisiana and Florida. Producers cooperating in the sirup program will receive benefits comparable to those made to cooperating producers in the Louisiana sugarcane program.

Under the contract, cooperating farmers will agree to have no larger acreage of sugarcane growing in 1935 than they harvested in 1934 and to sell no more sirup or to sell no more sugarcane on a tonnage basis from the 1935 crop than they sold from the 1934 crop. Contracting producers will receive benefit payments for the two years 1934 and 1935.

The benefit payment for 1934 will be at the rate of 10 cents a gallon on all sirup over 100 gallons produced from the 1934 crop which was sold. If the cane was sold on a tonnage basis, the gallonage will be computed at the standard conversion rate of 22 gallons of sirup per ton of sugarcane. Ten cents a gallon is the amount which it is estimated is necessary to bring the average return from sirup of the 1934 crop to the parity price of 32 cents a gallon.

Benefit payment for 1935 will also be in an amount to bring an approximate parity return, but the exact amount will depend on the price of sirup from this year's crop. The 1935 payments will be made on a slightly different basis from those for 1934, in order to make the sirup program correspond as closely as possible to the Louisiana sugar program. For 1935 the benefit payments will be made on 88 percent of the amount of sirup sold in 1934. This corresponds to the 88 percent of the base production of Louisiana sugarcane producers on which they will receive 1935 benefit payments. In 1935, however, producers may market up to 100 percent of the amount of their 1934 marketings.

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TWO CALIFORNIA MILK LICENSES TERMINATED

The termination of the license for the San Francisco, Calif., milk sales area and the license for the Alemeda County, Calif., sales area became effective September 1.

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